Chapter 4

Analyzing Investment Procedures: The Investor Roadmap in Action

> *"There are too many steps, too many agencies, and too many delays involved in the investment process. Given the typical delays encountered … a project can easily take two years before it is operational."* Ghana Investor Roadmap *(1996?)*
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> *"Some of the constraints -- when looked at individually -- may appear to be mere annoyances rather than binding constraints; others are more serious. When grouped together as a whole, these various constraints can complicate, discourage, and deter private sector development."* The Investor Roadmap of Mongolia*, (1998)*

The previous two chapters have identified the foundation of the Investor Roadmap approach: a focus on the *customer* -- that is, the investor, and particularly the foreign investor -- and the *processes* that the investor must complete to establish and operate a business. These core concepts are central to methodology and implementation of the Roadmap in all four of its stages: *analyzing* investment processes (the subject of this chapter); *motivating* government bureaucracies (Chapter 5); *identifying* solutions (Chapter 6); and *implementing* solutions (Chapter 7).

This chapter reviews the key elements of the analytical stage, including the importance of finding a "champion," or governmental sponsor; the analytical methodology employed by the Roadmap; and key issues in the in-country practical implementation of that methodology. Finally, the impact of this first stage of the Roadmap is assessed.

The Importance of Finding a Champion

An important first step of this stage of the Roadmap is to find a governmental sponsor, or "champion" for the Roadmap exercise. Finding a strong and effective sponsor is important because an influential sponsor lends authority and validity to the Roadmap exercise, which can encourage cooperation from recalcitrant agencies. In addition, the sponsor may provide logistical support in arranging government meetings, which enables the Roadmap team to concentrate their energies on the interviews and analysis.

Like many aspects of the Roadmap, the office or agency selected as a sponsor differs from country to country, depending on local circumstances. Roadmap sponsors have included the national investment agency (Uganda and the Dominican Republic), the Central Bank (Kenya), the Ministry of Finance (Kenya and Latvia), and the Public Sector Reform Commission in the Office of the Prime Minister (Tanzania). Roadmap sponsors and the role of the sponsor will also vary across time, in reflection of the particular stage of the Roadmap and the development of the exercise. While one agency may be the lead agency during the analyzing phase, another agency may be the more appropriate sponsor during the inventing or implementing stages.

Although the national investment office or agency would appear to be the logical sponsor for a Roadmap study, these agencies have often proved to be unsuitable champions. In some cases, the complete ineffectiveness of the national investment agency means that it is a poor candidate for a champion. In other cases, the investment office has been headed by an individual with little influence within the government; in one East African country, for example, the head of the investment agency received his appointment as a political "consolation prize" for losing a parliamentary election. As a result, the agency not only lacked the institutional clout or support to push for the Roadmap agenda, but was also completely uninterested in supporting the Roadmap exercise.

The Prime Minister's Office, or equivalent, is typically a very effective sponsor. There are disadvantages, however, to having such a high-level champion. The ultimate success of the Roadmap rests on the willing participation in the reform process by the relevant agencies and departments. Their cooperation should occur because they believe in the process, and have "bought into " the concept of change, not because they feel compelled to participate in deference to the Prime Minister's authority. While high level sponsorship is advantageous, of course, because it signals the government's commitment to the Roadmap, it is no substitute for firm support and involvement at lower levels of government.

In some countries, no single champion emerges; rather, a series of "mini-champions" lend support to the Roadmap team. In many ways, this is a highly desirable outcome because it ensures that the support needed at the agency level -- where the reforms will be designed and implemented -- will be forthcoming. Support at the mid-level technocrat level is particularly important because these officials will be the ones who actually design and implement reforms to the procedural problems identified in the Roadmap analysis.

A final advantage to having a governmental sponsor is that it contributes to a sense of government "ownership" of the Roadmap process. This concept of ownership is an important element of the Roadmap's success to date in generating reform, and will be addressed throughout this study. In brief, however, the greater the sense that the Roadmap investigations, the identification of problems, and the implementation of solutions are *government-driven*, rather than *consultant- or donor-driven*, the greater the likelihood of successful reform.

The Investor Roadmap Methodology: The Theory…

Technically, the Investor Roadmap Methodology is a comprehensive diagnostic tool designed to systematically identify all the procedural steps facing a potential investor, whether domestic or foreign. In more prosaic terms, the Roadmap puts on the shoes, so to speak, of a typical investor and walks through and documents the investment process. This stage of the Roadmap identifies exactly what those processes are; how many procedures make up each process; how many steps are entailed in each procedure and the time needed to complete each step along the way; and the documentation requirements that must be satisfied.

In addition to identifying the standard investment requirements that apply to most investors, this stage also investigates bureaucratic idiosyncrasies and non-standard situations. In addition, “dependencies” are explored. Dependencies are procedural “Catch 22s” and requirements that must be completed in sequential, rather than concurrent, fashion and which are consequently time consuming, even if the procedures themselves are straightforward. *(See Box 4.1 for examples of non-standard and idiosyncratic requirements. Dependencies are discussed further in Box 4.2).*

Box 4.1: *The Impact of Idiosyncratic and Non-Standard Investment Requirements*

Idiosyncratic and non-standard investment requirements do not affect the typical investor, but they can be extremely frustrating and can add an extra layer of bureaucratic complexity to the investment process. Because they are non-standard, they are often not captured in other analyses or descriptions of investment requirements.

The following two examples were discovered in the course of the Investor Roadmaps conducted for USAID in Zambia in 1998 and for FIAS Latvia in 1998.

Zambia: When the Deputy Managing Director for the Bank of China branch office in Zambia applied for a work permit, she received one with no problem. Under Zambian Law, each family member of anyone receiving a work permit should receive a residence permit allowing those family to reside legally within the country. Due to the idiosyncratic application of Zambian law, however, her husband was denied a residence permit by the Immigration authorities. Their rationale? Because her spouse was a man, and men are typical breadwinners in a family, he could not be issued a residence permit. Accordingly, the authorities demanded that he show proof that he had a job offer -- which would thereby qualify him for a work permit -- although it his wife who had an offer of employment in the country.

Latvia: Under Latvian law, it is (was?) standard practice that most investors have (had?) the right to purchase property from a private citizen without the need for governmental approval. Investors coming from a country that has not signed a bilateral investment treaty with Latvia, however, are required to receive approval for the purchase from the municipal authorities. Upon examination by the Roadmap Team, it became clear that this approval was simply a zoning approval. This approval was redundant, as the investor would have to apply for this approval anyway at a later stage in the investment process. While not as frustrating as the idiosyncratic treatment of the husband in the example above, this non-standard treatment created another step for investors to follow.

The analytical stage provides a highly detailed "snapshot" of the often convoluted and complex barriers that potential investors must negotiate in order to establish and operate a business in a selected country. This in itself is highly useful to governments, because it has usually never been previously compiled in totality, although frequently fragments have done (e.g., corporate registration processes). Equally important, however, the analysis conducted in this stage provides the foundation for the subsequent stages of the Roadmap. These findings are integral to motivating the government to change, to framing the subsequent debate about how to address key problems, and to shaping what types of solutions can be implemented.

The assessment is analytically approached using two key concepts: a categorization of processes into four "process groups" and an individual assessment of each process within each group. These analytical methods are discussed in turn.

Roadmap Process Groups

How does the Investor Roadmap make sense of the often vast and frequently archaic complexity of institutions, procedures, and offices that a potential investor must come in contact with to establish a business in many countries? Quite simply, it categorizes this complexity into

Box 4.2: "Dependencies" and the Problems They Pose for Investors

Dependencies refer to those processes that are interlinked, or dependent, on the completion of a prior process. Dependencies occur in two forms: *sequential* processes and *circular* processes.

In countries with sequential dependencies, the individual procedures may themselves be short, but the entire investment process is lengthy because none of these processes or procedures can be completed in parallel. The issue of sequential dependencies illustrates that the length of a procedure is frequently less important than whether a dependency is inherent to that procedure. In South Africa, for example, corporate tax registration is relatively complicated and lengthy; however, a company can begin trading activities once the tax registration form is completed, even if it has yet to be processed by the authorities. In this case, there is no dependency and investors do not suffer from processing delays.

By contrast, most processes in Latvia can be completed rather quickly, in one to two weeks. All these processes, however, must be completed sequentially. A company cannot register for taxes until it has registered as a company, and it cannot bring in an expatriate employee until it has registered for taxes, and so on. The inability to complete these processes concurrently means that the "critical path" to establish a business in Latvia is a lengthy one.

Circular dependencies are those "Catch 22" types of procedural requirements. These situations occur when investors are required to get a specific approval before acquiring another type of approval, but the issuance of this first approval is actually dependent upon having already received the second approval. When governments issue "provisional" or temporary approvals, it is generally a sign that this type of dependency exists and that two or more investment agencies are not working well together.

four separate sets of activities that must be completed to establish and operate a business. These four categories, or "**process groups**," are:

- **Employment issues**: These include all activities and procedures relating to employing both expatriate and local personnel. What is needed to obtain a residency permit for expatriates? What government departments (e.g., Immigration, Labor) are involved? Are they readily accessible? Are the forms readily available? Are the forms in English? Do investors have to leave the country in order to apply? Once received, how long is the permit good for? Once the operation is underway, can it be renewed, or must the expatriate be replaced with local labor after a defined number of years? Is the process transparent? Does government get involved in start-up hiring? What are the rules regarding employment dispute resolution? What are the laws regarding collective bargaining by employees?

- **Locating issues**: Locating a business facility is often a lengthy and time-consuming process. These issues encompass all those that related to the physical selection and acquisition and development of a business site. Can foreign investors buy land, and what steps must be completed to do so? Who owns the land – the state, municipal authorities, tribes, or private citizens? What agencies are involved? What forms must be completed? How long does the process take? Is the process transparent? Can deeds be transferred? Are building plans reviewed in a timely manner? What procedures must be completed and how long does it take to get electricity, telephone, and other utility hookups?

- **Reporting issues**: This group of activities includes all those related to registering and licensing a business, registering and paying taxes, and ensuring environmental compliance. Is there complexity and duplication in the tax registration process? How do companies complete business registration, income tax registration, VAT registration? What fees are required? What types of specialized or trade licenses are required and how are they obtained? How are taxes assessed and when are they due? Is there an institutionalized tax appeal process? How do companies register for tax and other specialized incentives?

- **Operating issues**: This final category encompasses those activities that companies must perform in order to operate on a day-to-day basis; for example, clearing goods through customs, and repatriating profits. How long does it take for imports to clear customs? Are import, export, and customs rules efficiently administrated? Is getting access to foreign exchange a problem? What are export procedures? Can profits be easily repatriated? How long does it take to receive customs duty drawback payments?

These four issue areas focus on the business establishment process from the perspective of the investor. While government ministries and departments typically have many responsibilities, it is only these four groups of activities -- employing, locating, reporting, and operating -- that are of interest to the investor, and which are therefore consequently examined in the Roadmap. The Roadmap's perspective on these four issues is typically that of the foreign investor, since the foreign investor is the prime customer. While this examination may include some procedures that are irrelevant to local investors (e.g., immigration permits), the Roadmap is still relevant to local investors, who are subject to the vast majority of the steps outlined.

Evaluating Core Processes

In order to identify all the procedures involved in the establishment and operation of a company, Roadmap utilizes a systematic and methodical approach to collect a large volume of information. Each process group – employment, locating, reporting, and operating – is comprised of a number of **core processes.** *(Figure 4.1 shows the correspondence between the four processes, the core processes comprising the process groups, and the procedures that make up each core process)*. Focusing on processes, rather than departments, cuts across traditional institutional lines and reflects the Roadmap's customer focus. Investors, for example, want entry to the country; governments typically want work permits and residency permits. The Roadmap's focus on core processes mirrors the investor's concerns regarding outcomes and results.

There are thirteen core processes in total, ranging from obtaining an investor permit to acquiring government investment incentives. While there are obviously other steps that must be completed before a business can become fully operational (e.g., acquiring office equipment), these 13 core processes represent all those that require interaction between the investor and the government. It should be noted that some of these procedures may be called different things in different countries: what may be a residence work permit in one country may be a Class A work permit elsewhere. This reflects another advantage to analyzing in terms of processes. When using a process focus, differences in terminology do not matter, because the function and purpose of the process -- in this case, to enable investor entry into the country -- is the same no matter what term is employed.

These 13 core processes are grouped by process group and are summarized in Tables 4.1 to 4.4. These tables show the core processes (e.g., investor entry) and the procedures related to the investor entry process (e.g., the investor must obtain an investor work permit, renew that work permit, and obtain permanent residency). These tables also show the different ranges encountered by potential investors in terms of the time needed to complete these procedures, and anecdotally demonstrate why some of these procedures are so complex for the investor.

As seen in the tables, some of these procedures can be more problematic than others in terms of the time required to comply with the regulation. Land acquisition, for example, is frequently a major headache for potential investors. This is significant, because acquiring a production site is usually a critical decision point in the investment process: once the land is acquired, the investor will usually complete the investment process, no matter how arduous. If, however, acquiring the land proves to be overly difficult, the foreign investor may well decide to forego the investment entirely.

Similarly, [add 1-2 paragraphs discussing tables, when completed]

From the investor's perspective, of course, it is not only the time that is required to complete a procedure but the number of steps that are involved. In this sense, the straightforward list of core processes in Tables 4.1 to 4.4 can seriously belie the complexity of the investment process. Each of these procedures may involve several agencies -- or more, as in the case of corporate registration in the Dominican Republic, where 10 different agencies are involved and up to 10 months are required to complete this single procedure. Equally burdensome, each procedure can include a multitude of separate steps. This complexity is illustrated in Figure 4.2, which illustrates the number of steps that must be completed by a firm to compile with Bolivian environmental regulations.

The information compiled in a Roadmap analytical report goes well beyond the data included in these tables. In order to develop the Roadmap "snapshot" of the entire investment process, it necessary to compile all the essential details of each of the procedures (e.g., obtaining an investor work permit, registering for taxes, incorporating the company). How many steps are required? How many forms are necessary? How long does it take to review and process the forms? How transparent is the review process – are the criteria by which an application accepted or rejected clear, or does it take place behind closed doors in a process subject to political interference, favoritism, or corruption and requests for payoffs? What other idiosyncrasies or restrictions does the process have?

What these questions do not capture is the frustrations frequently encountered by investors in a developing country: the countless set of stairs that need to be climbed; the endless number of offices that must be visited; the frustration from discovering that the forms are not available in English, or are actually available only from another office, or are out of print; the multiple, closed door meetings that must take place by various committees to review and evaluate an application using criteria that are unpublished and unclear; and, in many cases, the request for bribes to make the process proceed a bit faster. In many countries, the frustrations and overall complexity of the process is so great that law or accounting firms must routinely be hired by prospective investors as facilitators to help them navigate through the complex bureaucratic environment.

…and the Practice -- Pulling the Data Together

A typical Roadmap engagement is about three weeks long, and is roughly divided into three separate one-week segments. Typically, anywhere from 55-70 meetings will be held within a three-week period with private sector representatives, government officials, and parastatal organizations. These various meetings try to capture, in as much detail as possible, the various steps required to complete the 13 core processes; that is, the measures needed to establish a new business and to begin operations in full compliance with all existing laws and regulations. The purpose of these meetings is to capture these processes as they actually work in practice, rather than as they are theoretically take place on paper. In fact, these meetings frequently reveal a wide divergence between practice and theory.

The first week begins with meetings with investor focus groups. Private sector meetings are arranged through consultations with High Commissions and local Chambers of Commerce. The companies selected represent a general spectrum of foreign and locally owned companies whose experiences with government agencies are likely to be typical. These meetings are typically held in focus groups of 12 to 15 individuals. The purpose of these meetings is to document exactly what a typical investor experiences at each stage of the business establishment process. This version can then be compared to what the government says is required. These meetings also enable the Roadmap Team to target specific investors whose interactions with the government are particularly frequent or notable in one way or another, and which may a helpful source of information in follow-up interviews.

The Roadmap Team's meetings during the first week will also concentrate on the "lead" agencies for each process. While many processes will encompass several agencies, there is typically one agency that holds the most responsibility for that process; for example, the Department of Immigration is usually primarily responsible for the issuance of a work permit, even if the police and Ministry of Labor are also involved. These meetings with these key agencies will compile the government's version of how the processes work. Based on these meetings, the Roadmap team will also draw up a list of additional agencies and officials to visit during the second week of the mission.

By the end of the second week, the Roadmap Team has usually compiled 80-85 percent of the needed procedural data. At this point, the first analysis of the initial findings are held in a team setting which includes the Roadmap's governmental sponsor(s). The immediate purpose of the meeting is to identify key issues and key impediments, but a secondary purpose is to build government ownership of the Roadmap findings. This is the first of many meetings and activities which will work to increase the government's sense that it, rather than the consultants, are responsible for the Roadmap's findings and ultimate outcome.

This session also enables Team members to identify areas where additional information or clarification is needed. Additional meetings are held with members of the private and public sector in the third week to fill in these remaining data gaps. These are usually specialized interviews that focus on areas which have been identified as problematic. In Latvia, for example, these meetings included human resources manager for the Radisson Hotel, to draw upon his extensive experience with immigration procedures, and the director of development for a group of petrol filling stations, to utilize his experience with the approvals processes governing land acquisition and development.

Not surprisingly, it is usually easy to get the private sector's opinion of these processes. Generally, "the private sector jumps at the opportunity" to participate in these meetings. In fact, the challenge of these meetings is to avoid a general complaint session about the government and solicit concrete and detailed information about their experience. It is not always so easy to get comparable interviews with government officials. In one Roadmap country that will remain unnamed for obvious reasons, the Roadmap team arrived for a scheduled appointment with the official at the national investment agency who had been delegated responsibility for arranging governmental interviews for the Roadmap team. A TSG consultant recalls that:

> We spoke to the secretary who assured us that the official was aware of our presence. Fifteen minutes passed. We spoke to the Secretary a second time and she again assured us that he knew of their presence. Another 15 minutes passed. Finally, we decided to approach his office. We entered, to find him playing solitaire on his computer, which he had evidently been doing for some time. Moreover, the solitaire game continued throughout the meeting.

This example is a particularly egregious one, and not all government agencies are so openly unsupportive. Nonetheless, this story is poignant because it illustrates the types of frustrations that a typical investor might have to endure in a country where the investment bureaucracy is not customer driven. It also reflects the fact -- and this will be addressed later in this book -- that the success of the Roadmap, like any developmental reform effort, is ultimately dependent on the government's willingness to embrace that effort.

The end result of these meeting with government and private sector representatives is a detailed account of all the steps and documentation needed to complete each procedure within the 13 core processes. Not surprisingly, completing this stage of the Roadmap requires a dogged, comprehensive, and systematic effort because it is only by identifying these processes in detail that the most problematical procedures can be pinpointed and simplified. Putting together a complete picture of the process is comparable to completing a jigsaw puzzle where the picture of each piece is a bit unrecognizable except when put together into the whole puzzle. Commonly, government officials can only describe a small part of the process – the part they are responsible for – but are unable to recount the whole process in its entirety. The job of the Roadmap consultants are to piece these "fragmented processes" together to identify the procedural path that must be completed by the investor.

The Analytical Output

The output resulting from this approach is a report that describes each process in detail. This report is comprised of three, and sometimes four, areas of focus: a description of the procedures themselves, an analysis of each procedure, and recommendations. In countries where certain procedures are in a state of flux owing to pending legislative or other changes, a fourth section will provide context on the past, current, and anticipated status and nature of those procedures. Following completion of a draft report, these findings are “validated” with the government and private sector to ensure their accuracy.

Detailing the procedures

The descriptive session states in exhaustive detail for each procedure which licenses or approvals are required; the application procedures that must be completed; and the criteria for qualification that must be satisfied. The fees or processing payments required at each stage are noted, as are the typical processing times for each step. This summary is accompanied by a separate annex which contains copies of all the principal forms required at each stage of the investment process. It is not uncommon for the annex alone to be more than 100 pages in length.

The general legal framework governing each particular process or procedure is also noted. A legal analysis is not typically part of the Roadmap,[1] and the Roadmap recommendations pragmatically focus on reforms that can be administratively introduced, without requiring legal change or parliamentary approval. Nonetheless, examining the legal framework for a country's procedures has several advantages.

One, some procedures may be rooted in several laws, may date to colonial practice, or be archaic or personalistic in origin. Consequently, this examination can often explain why some procedures are so problematical. In Kenya, for example, the legal system is based on British law introduced during the colonial period. Under British law, civil servants are typically given a great deal of discretionary power. In the Kenyan context, however, the discretionary power held by immigration officials led to:

> …corruption, and investors getting frustrated because they have absolutely no idea why their request for a work permit is rejected or accepted. They have no idea what the criteria are, they have no guidelines, no info, nothing. They are at the mercy of the bureaucrats.

In this case, the legal analysis explained the lack of transparency in the issuance of work permits, and highlighted areas where recommendations could be made to improve immigration procedures.

A second rationale for examining the legal framework is to determine which procedures may be in the process of being reformed. If the government is in the process of modifying the legal regime governing customs, for example, then this is a signal to the Roadmap team that customs procedures should not be one of the procedural areas addressed in the process workshops. In such a case, a legal analysis enables the Roadmap to concentrate its finite resources on procedural issues which are not in flux and likely to change in the near future anyway.

Analyzing the procedures

This initial discussion basically presents the procedures in a straightforward manner that shows the government's version of what is required to complete each one. It is followed by an analysis which has two components. The first component is the investor or private sector input. This discussion will frequently correct or challenge the government's version; for example, it may point out that receiving a permit in practice actually takes six months instead of three. The purpose of this analysis is to point out what areas really plague investors, rather than to identify every existing problem. Problem identification is largely addressed later, during the process workshops in stage three, which utilize the expertise of mid-level government technocrats to identify problems in detail.

The second component is comparative information. This make take the form of a benchmarking graph (the use of benchmarking as a motivating technique is discussed in the following chapter), or may be simply a textual comment on the practice in other countries. The purpose of this comparative section is to provide a context for the Roadmap's "snapshot" and to enable government's to see how similar issues are handled elsewhere.

Recommending procedural changes

While the focus in this stage is on documenting procedures, such documentation is not the real objective of this stage of the Roadmap. The true purpose of the analysis is to:

> identify opportunities for second tier procedural reform. That is our ultimate goal: to identify ways to change, to streamline, operate more efficiently, to create a culture of customer-service focused agencies. The Roadmap report is the diagnostic means to this end.

The third portion of the discussion of each process contains these recommendations for streamlining procedures. The purpose of these recommendations is twofold: to simplify application procedures for investors, while simultaneously enhancing the ability of government to screen properly the information submitted by applicants on their investment and other forms.

It is important to note that these recommendations are indicative rather than definitive. That is, they suggest improvements in order to encourage host country professionals to work together to devise concrete and practical ways to address those constraints. (This step occurs in the process workshops discussed in Chapter 6.) By offering recommendations that are only suggestive, they shape the ensuing discussion in a constructive fashion, but still enable government officials to assume ownership over the eventual solutions. In this way, the Roadmap reforms remain government driven, rather than consultant driven.

The Investor Roadmap analysis identifies critical issues that are frequently very micro in nature, and the report's recommendations frequently narrowly focused on such issues as the consolidation of forms, the elimination of steps from certain processes, or similar measures that can streamline the investment process. These are reforms that more often than not can be made within the existing legislative framework, and therefore may be implemented relatively "pain free." As explained by a TSG consultant:

> The types of reforms and changes that we recommend are based on what we see. If we see that -- for example -- six government committees are involved in the approval of a mining license, then we make a simple recommendation that the process be streamlined and only one committee involved. And these types of changes are very easy to make. They don't require parliamentary approval or ministerial decree. They are things that agencies can handle themselves…they don't threaten anyone's power, which is a key thing. We do not threaten public sector workers with mass firings, we just suggest ways to improve things, to streamline the process, to facilitate, to simplify.

The outcome of this focus on streamlining and simplifying is to increase the efficiency which the government can approve investment, rather than simply facilitating the investor through the approval process. This distinction is important and represents a fundamental shift in the way donors have traditionally tried to reform the investment approval process *(see Box 4.3).* This is also consistent with fundamental reengineering principles, which seek to achieve important improvements in bureaucratic performance in terms of cost, quality and speed.

Box 4.3: One-Stop Shops vs. Effective Governments

As discussed in Chapter 2, the Roadmap approach rests on the concept of customer-focused governance. By adopting the perspective of the customer – in this case, the investor – the Roadmap enables governments to procedurally streamline those processes that the key bottlenecks from an investor's perspective. In this way, the Roadmap can increase the efficiency of government by identifying unneeded steps and simplifying the investment approval and business establishment process.

As a way to improve the performance of investment approval agencies, the Roadmap approach represents an important shift in focus and thinking. Previously, efforts by donor agencies such as USAID and the World Bank to improve the efficiency and performance of investment approval agencies have focused not so much on streamlining the process as on *bypassing* the process. This was to be achieved through the use of such mechanisms as “one-stop shops.” In the one-stop shop concept, a single government agency would assume responsibility for obtaining on behalf of the investor all needed permits and approvals. (In some countries, the complexity of the process is similarly masked because it is common practice to hire a law or accounting firm to complete the investment approval process, thereby shielding the investor from the complexity and frustration of the process – although not from the ensuing cost of hiring such services.)

From the perspective of the investor, the one-stop shop provides an effective way to set up a business, because the investor no longer has to figure out the myriad forms and processes that are required, nor does he have to tramp from office to office seeking forms, signatures, and permits.

From the *perspective of government efficiency*, however, the one-stop shop at its best simply “papers over” existing procedural obstacles by using the agency as a buffer to insulate the investor from these difficulties. At its worst, the one-stop approach exacerbates the complexity of the process by simply imposing another layer of government bureaucracy atop the existing inefficient processes. From this perspective, while a one-stop shop approach is preferable to losing investors because they are frustrated by the complexity of the process, it is not optimal because it is a poor substitute for effective change.

There are three key reasons why it is preferable to improve the overall efficiency of the investment process, rather than simply facilitate or insulate the investor’s exposure to that process. One, one-stop shops deal only with the requirements for investment approval and business establishment. Once a business is established, however, it will inevitably have to deal directly with the government at some point, whether it be to obtain renewals of expatriate work permits, to expand operations, or whatever. At that time, the government's existing procedural and bureaucratic weaknesses will manifest themselves. The frustration that will incur, and the time that will be lost as a result of those obstacles will ultimately detract from what the company should be doing: running its business. In this sense, an investor can never be fully insulated from governmental inefficiencies.

Two, by adding another layer of government, a one-stop shop imposes more costs on government. It requires more people, more office space, more meetings, more forms to be reproduced. Moreover, not only it is more costly, but creating another layer of bureaucracy is further detrimental to effective communication between agencies and institutions. In countries where a one-stop shop has not been established, and investors deal with the complexity of the process by using the services of an accounting or law firm, these costs are borne by the investor, with an eventual impact on the profitability and efficiency of the investment.

Finally, by masking the complexity of the investment process, a one-stop shop covers up the weaknesses and inefficiencies of the process. The end result is that the government fails to understand how complex the procedures actually are, and cannot appreciate how frustrating these bureaucratic obstacles are when encountered by business – as they eventually will be, as all businesses will have to interact with government agencies at one point or another

Providing context

When procedures are in a state of flux owing to pending or ongoing changes in policy or law, it is not possible to take an accurate and lasting snapshot of the affected procedures. In such cases, the Roadmap report will present a contextual discussion that describes the procedure prior to being changed, the procedure as it stands at the time of writing, and what the procedure will reportedly entail when the new policy or law is in place.

Validating the report

Once the draft Roadmap report is completed, it is circulated to governmental agencies for review and comments. A validation workshop is held with government officials to ensure that the Roadmap's procedural findings are accurate, and many agencies submit detailed written responses as well. Any needed corrections are then incorporated into the final report. This validation process ensures the accuracy of the final report, and strengthens its utility as a motivational tool. Completion of the report validation phase, therefore, clears the path for the next stage of the Roadmap -- motivating and energizing the government.

Impact of the Analytical Stage

The information compiled in the analytical stage of the Roadmap is compiled into a report. Having pulled this information together, the exercise has two primary objectives. First, by detailing all the steps on paper, the report will make the investment environment more transparent to new businesses. Second, the report provides a solid foundation for understanding the existing bottlenecks and acts as an important first step in bringing about improvements in the bureaucracy.

The analysis is probably the most critical component of the Roadmap process. While this stage does not in itself typically produce reforms, its analysis identifies potential areas of focus and essentially provides a manual for change management. More importantly, its success or failure in catalyzing the government to change will determine whether the Roadmap exercise as a whole will actually result in the implementation of reforms. In this sense, the analytical report is simply "the tip of the iceberg," and the process workshops and implementing stage represent the substantive and core elements of the Roadmap.

While those familiar with the Roadmap differ on the key impact of this analysis, they do agree that it is frequently profound. Barry Camson, a government reform specialist who served as a long-term TSG consultant in the implementation stage of the Roadmap in Tanzania (known there as Phase III), says that the Roadmap analysis is "an amazing vehicle" for increasing the awareness of both government and business of how these processes actually function.[2]

While the Roadmap analysis contains a wealth of detail, this catalytic effect is more important than any single detail within the Roadmap. As Camson explains "the Roadmap takes processes and projects them like a slide onto the national screen of consciousness." As in any unresponsive business or organization, there are people in government who do not want to know what the customer thinks, and the only thing that actually comes through to these individuals is when the customer says its not working. Says Camson: "The Roadmap is a vehicle for introducing that customer's voice – a wake-up call to government that it can't continue as before because it is clear that [these processes do] not work." In this sense, the Roadmap helps to force governments to be accountable to their customers.

James Emery, an investment officer [ck title] at the World Bank's Foreign Investment Advisory Service (FIAS), concurs with this assessment. Emery, who has conducted several Roadmap studies in Africa for FIAS, says that the "chief utility of the Roadmap is that it is very good for countries that don't want to reform. Most [countries] don't want to reform, they do things to get money from donors. The Roadmap process uncovers residual controls or obstacles or opportunities for corruption that slip off the radar screen [of broader policy analyses]."[3]

The persistence of these little obstacles, says Emery, is often deliberate in Africa. Consequently, he feels, the Roadmap is a useful tool for donors because it enables them to counter claims by governments that they have done everything to help investment, when in fact they are undermining it. The Roadmap essentially "hangs out the dirty laundry" in such comprehensive detail that is impossible to refute, thereby giving donors leverage in pushing for additional reforms.

For governments that are serious about reform, however, the level of detail captured in the Roadmap is especially helpful in directing those reform efforts. According to Jacqueline Coolidge, the FIAS Task Manager for the Latvia Roadmap, the Roadmap is particularly useful in documenting circular or "Catch 22" situations. These situations occur when governmental regulations require that an investor get a certain permit before acquiring another type of permit, but the rules for issuing this first permit require that the investor have already obtained the second permit. "To document these in black and white and get detailed and specific stories from investors about how reality differs from the regulations," says Coolidge, "this is really very useful, practical assistance, and governments in particular really seem to appreciate it."[4]

This catalytic power of the Roadmap analysis is acknowledged even by those critical of the Roadmap's ability to affect change. {true?? Get quotes}

A second important impact of the Roadmap analysis is its capability to raise the perspective of individual bureaucrats. While developing country officials are frequently intelligent and skilled public servants, they do not necessarily understand how their country fits into the larger world economy. As Campson points out, the Roadmap "highlights that awareness [and] creates that context .. it explains why investors are not going to come – because things take too long -- and elevates this to the national consciousness." As such, says Campson, the Roadmap provides a major catalyst not just for change, but for the "national dialogue about the economy" and where the country is going.

The Roadmap is a useful educational tool in another sense as well. Luis Gonzalez, a country national working for USAID in the Dominican Republic, sees the Roadmap's focus on the customer as a key lesson. Gonzalez, who helped to conduct that country's Roadmap, says "I see that in order to see changes in policy we also need changes in the way we do our business, on how we [the Dominican Republic] treat our current and future clients, and the way we sell our country abroad."[5] To Gonzalez, therefore, the Roadmap's influence is broader than simply a way to reform the nation's investment processes: "the Roadmap approach seems to me as another … tool needed for any policy change to be more effective."

The catalytic impact of the Roadmap is a critical element of the next stage of the Investor Roadmap: motivating and energizing government bureaucracies. This second stage of the

Roadmap, and the techniques used to capitalize on the Roadmap's analytical findings, are discussed in the following chapter.

End Notes

[1] An exception is the Roadmap conducted for FIAS in Latvia, where a Swedish lawyer was included in order to address legal issues relevant to Latvia's accession to the European Union.
[2] Interview in Arlington, Virginia, November 4, 1998.
[3] Telephone interview, October 28, 1998.
[4] Telephone interview, November 19, 1998.
[5] E-mail communication, November 13, 1998.